Tian Ge Interactive Holdings Limited
天 鴿 互 動 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1980)
(Stock Code: 2980)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2017

FINANCIAL HIGHLIGHTS

(in RMB'000)	**Unaudited Six months ended June 30, 2017**	June 30, 2016	Year-on-Year[1] Change
Revenue	**498,797**	349,707	42.6%
– Online interactive entertainment	**423,065**	311,003	36.0%
– Game licensing & Others	**75,732**	38,704	95.7%
Gross Profit	**426,948**	252,621	69.0%
Gross Margin	**85.6%**	72.2%	
Net Profit	**149,372**	74,335	100.9%
Net Profit Margin	**29.9%**	21.3%	
Adjusted Net Profit[2]	**211,502**	96,829	118.4%
Adjusted Net Profit Margin	**42.4%**	27.7%	
Adjusted EPS[3] (expressed in RMB per share)			
– basic	**0.161**	0.078	106.4%
– diluted	**0.156**	0.075	108.0%
Adjusted EBITDA[4]	**258,309**	127,286	102.9%
Adjusted EBITDA Margin	**51.8%**	36.4%	

(in RMB'000)	**Unaudited Three months ended** **June 30, 2017**	March 31, 2017	Quarter-on-Quarter Change	June 30, 2016	Year-on-Year[1] Change
Revenue	**254,767**	244,030	4.4%	198,131	28.6%
– Online interactive entertainment	**212,535**	210,530	1.0%	177,274	19.9%
– Game licensing & Others	**42,232**	33,500	26.1%	20,857	102.5%
Gross Profit	**220,328**	206,620	6.6%	142,535	54.6%
Gross Margin	**86.5%**	84.7%		71.9%	
Net Profit	**50,145**	99,227	-49.5%	47,802	4.9%
Net Profit Margin	**19.7%**	40.7%		24.1%	
Adjusted Net Profit[2]	**106,264**	105,238	1.0%	58,908	80.4%
Adjusted Net Profit Margin	**41.7%**	43.1%		29.7%	
Adjusted EPS[3] (expressed in RMB per share)					
– basic	**0.081**	0.081	0.0%	0.047	72.3%
– diluted	**0.078**	0.078	0.0%	0.045	73.3%
Adjusted EBITDA[4]	**130,940**	127,369	2.8%	76,608	70.9%
Adjusted EBITDA Margin	**51.4%**	52.2%		38.7%	

Notes:

(1) Year-on-Year change represents a comparison between the current reporting period and the corresponding period last year.

(2) Adjusted net profit was derived from the unaudited profit for the period excluding the effect of non-cash share-based compensation expenses, impairment loss arising from acquisitions and amortisation of intangible assets arising from acquisitions.

(3) Adjusted basic earnings per share ("**EPS**") is calculated by dividing the adjusted net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year which have been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the issuance of bonus shares. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units ("**RSUs**") granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the adjusted earnings.

(4) Adjusted EBITDA represents operating profit, adjusted to exclude share-based compensation expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions and depreciation and amortisation.

INTERIM RESULTS

The board of directors (the "**Directors**") (the "**Board**") of Tian Ge Interactive Holdings Limited (the "**Company**", "**We**" or "**Tian Ge**") hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended June 30, 2017 (the "**Reporting Period**"). These interim results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Overview and Outlook

Tian Ge has successfully taken steps to evolve the core business towards mobile device in 2016. Since then, the Group's two pronged growth drivers formed by mobile and PC business have gradually matured. Success of the strategy is proven by the Group's steady robust financial growth in the first half of 2017, continuing the trend that started in mid-2016.

According to a report of iResearch, pan-entertainment live broadcasting's market size was RMB20.83 billion in 2016, representing an annual growth of 180.1%, and is estimated to reach RMB87.26 billion in 2019. The Board expressed full confidence in the prospect of the industry and will continue to step up efforts to promote development of our core business and to amplify our established social ecosystem into new opportunities.

Overall Financial Performance

In the first half of 2017, revenue increased by 42.6% year-on-year to RMB498.8 million. Revenue from online interactive entertainment was RMB423.1 million, representing an increase of 36.0% from the corresponding period in 2016. In the first half of 2017, based on the analysis on cash proceeds received from sales of our virtual currency and game coins, for the revenue from online interactive entertainment service, whose 59.6% was generated from mobile devices (2016: 38.2%).

In the first half of 2017, profit attributable to equity holders of the Company increased by 91.4% year-on-year to RMB146.8 million; net profit increased by 100.9% year-on-year to RMB149.4 million; adjusted net profit increased by 118.4% year-on-year to RMB211.5 million, and adjusted EBITDA increased by 102.9% year-on-year to RMB258.3 million.

Business Highlights

"Mobile + PC" Dual Live Streaming

During the Reporting Period, Tian Ge spared no effort in optimizing and upgrading of our flagship applications, namely Miao Broadcasting (喵播) and 9158 Live Streaming, to provide our users an engaging entertainment experience that is all-rounded and "Interaction + Companion" oriented. Pursuing successful "Mobile + PC" Dual Live Streaming and competitive differentiation strategy, the Group's user base demonstrated a continual rapid growth over the Reporting Period. Total registered users reached 351.8 million as at June 30, 2017 (2016: 300.6 million). Monthly active users ("**MAUs**") increased to 26.6 million as at June 30, 2017 from 18.6 million in corresponding period last year. Such growth further signified the unique advantage of Tian Ge as a leading "Mobile + PC" live streaming service provider.

The Group launched a short video sharing platform, i.e. Meow Camera (喵拍), in the first quarter of 2017, to provide the hosts an effective self-promotion platform on the one hand, and on the other hand to create synergy among different products. Short video would help diversify our video-based social networking ecosystem and facilitate our live streaming service.

The successful launch and operation of the above-mentioned mobile live streaming applications contributed to the significant increase in the Group's mobile MAUs and mobile quarterly paying users ("**QPUs**"), which represented 62.3% and 69.8% of the Group's total MAUs and total QPUs respectively as at June 30, 2017 (2016: 37.7% and 51.8%).

Mobile Games

According to Statista, revenue of China's mobile game market reached US$7,144 million in 2017, and is expected to show a steady annual growth rate of 10% resulting in a market volume of US$12,028 million in 2021. The Board firmly believes that the mobile gaming market in China will continue to grow and flourish.

During the Reporting Period, Tian Ge has been expediting the research and development of new casual mobile games as well as actively identifying investment opportunities in potential products. By incorporating our games into the mobile live streaming platform, our users are able to enjoy all-rounded entertainment experience, generating immense synergy effects in line with our core business development.

As the mobile games segment become more mature, Tian Ge's nimble and professional team strives to optimize the advertising model of the games and expects to generate satisfying additional revenue in near future.

Financial Technology

During the Reporting Period, the Board continued to enhance the financial technology ("**Fintech**") platforms by user classification and technological enhancement. Tian Ge also constructed a consolidated risk management system of Fintech companies to build a powerful big data system, and at the same time to refine its credit assessment and anti-fraud engine. Tian Ge is geared up to capture the opportunities driven from the rapidly growth in demand for both financing and wealth management services of our huge paying user base.

International Expansion

Tian Ge successfully opened up the overseas markets by introducing quality live streaming application abroad, i.e. Miao Broadcasting. Following the triumph in the Thailand and Taiwan markets, Tian Ge stepped into Indonesia market in March 2017. Development of live streaming application in foreign languages strengthened our presence in live streaming industry market across the globe. Looking forward, Southeast Asia will remain our main focus of expansion. The Group will launch the international version of Miao Broadcasting shortly to provide users across the globe first class entertainment experiences, and vigorous efforts will be made to penetrate to foreign market.

Outlook

Looking forward, thanks to the meteoric development of mobile games, as well as the related advertising business and Fintech platforms, i.e. the big data and risk management systems, Tian Ge's sources of revenue will be further diversified, while live streaming business will remain the Group's pillar business and enjoy the gigantic synergy generated. Successful penetration to Southeast Asia markets and rapid development of "Live Streaming+" will further reinforce our well-established ecosystem.

Tian Ge endeavors to pursue new growth drivers and to increase our market share by identifying suitable mergers and acquisitions opportunities. Grounded on the facts of our intrinsic strength, loyal user base and thorough understanding of Chinese internet users, the Group is confident to derive sustainable, profitable value for our shareholders in the second half of the year.

2. Operating Information

The following table sets forth certain quarterly operating statistics relating to the Company's internet platforms as of the dates and for the periods presented below:

	Three months ended				
	June 30, 2017	March 31, 2017	Quarter-on-quarter Change	June 30, 2016	Year-on-year Change
Monthly Active Users *(in '000)**	**26,577**	24,900	6.7%	18,617	42.8%
Quarterly Paying Users *(in '000)**	**1,346**	1,314	2.4%	1,029	30.8%
Quarterly Average Revenue Per User *(RMB)**	**158**	160	-1.3%	172	-8.1%
Number of Rooms	**69,278**	67,835	2.1%	55,677	24.4%
Number of Hosts	**116,002**	109,617	5.8%	80,445	44.2%

* To be consistent with the revenue classification, the key operating data now includes the users from online interactive entertainment service only.

The following is a summary of the comparative figures for the periods presented above:

- The number of MAUs for Tian Ge's online interactive entertainment service was approximately 26.6 million for the three months ended June 30, 2017, representing an increase of approximately 6.7% from the three months ended March 31, 2017 and representing an increase of approximately 42.8% from the three months ended June 30, 2016.

- Our mobile MAUs as at June 30, 2017 represents 62.3% of our total MAUs, while the percentage as at March 31, 2017 and June 30, 2016 were 56.0% and 37.7%, respectively.

- The number of QPUs for Tian Ge's online interactive entertainment service was approximately 1,346,000 for the three months ended June 30, 2017, representing a slight increase of approximately 2.4% from the three months ended March 31, 2017 and representing an increase of approximately 30.8% from the three months ended June 30, 2016.

- Our mobile QPUs as at June 30, 2017 represents 69.8% of our total QPUs, while the percentage as at March 31, 2017 and June 30, 2016 were 66.8% and 51.8%, respectively.

- The Quarterly Average Revenue Per User ("**QARPU**") for Tian Ge's online interactive entertainment service was RMB158 for the three months ended June 30, 2017, remaining stable compared with the three months ended March 31, 2017 and representing a decrease of 8.1% from the three months ended June 30, 2016.

- Number of virtual rooms for Tian Ge's online interactive entertainment service increased by 2.1% as compared to the three months ended March 31, 2017 and increased by 24.4% from the three months ended June 30, 2016. Number of hosts for Tian Ge's online interactive entertainment service increased by 5.8% as compared to the three months ended March 31, 2017 and representing an increase of 44.2% from the three months ended June 30, 2016. The year-on-year increase was mainly due to the newly launched mobile live streaming business in the second quarter of 2016 which was popular.

- The total number of registered users of Tian Ge as at June 30, 2017 was 351.8 million, as compared to 300.6 million as at June 30, 2016*.

* Registered users here refer to accumulated registered users who have signed up accounts and duplicated accounts were not excluded.

3. Financial Information

Revenue

Revenue generated from online interactive entertainment service was RMB212.5 million for the three months ended June 30, 2017, mainly including revenue from live social video platforms and online games, which remained stable quarter-on-quarter from RMB210.5 million for the three months ended March 31, 2017. Revenue generated from online interactive entertainment service increased by 36.0% year-on-year to RMB423.1 million for the six months ended June 30, 2017 from RMB311.0 million for the corresponding period in 2016. The increase was primarily due to the growth of QPUs contributed by mobile live streaming business.

Revenue generated from game licensing service comprises of the provision of licensing the Group's self-developed games and its own platforms for an agreed period.

Revenue generated from others mainly includes the revenue from provision of e-commerce transactions, provision of beauty clinic service and other services.

Cost of Revenue and Gross Margins

Cost of revenue experienced a decrease of 7.9% for the three months ended June 30, 2017 from the three months ended March 31, 2017 and a decrease of 26.0% for the six months ended June 30, 2017 as compared with the corresponding period in 2016. The decrease was primarily due to the decreased commission charged by game developers related to the operation of our mobile games and cost of inventories sold related to other value-added services.

The gross margin for the three months ended June 30, 2017 was 86.5%, compared with 84.7% for the three months ended March 31, 2017. The gross margin for the six months ended June 30, 2017 was 85.6%, compared with 72.2% for the corresponding period in 2016.

Selling and Marketing Expenses

Selling and marketing expenses increased by 61.7% to RMB88.9 million for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 64.7% to RMB143.8 million for the six months ended June 30, 2017 from the corresponding period in 2016. The increase was primarily due to the increase of promotion expenses for the promotion of our mobile live streaming products and the increase of employee costs mainly related to share-based compensation expense.

Administrative Expenses

Administrative expenses increased by 123.5% to RMB48.8 million for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 26.8% to RMB70.7 million for the six months ended June 30, 2017 from the corresponding period in 2016. The increase was primarily due to the increase of employee costs mainly related to share-based compensation expense.

Research and Development Expenses

Research and development expenses increased by 33.5% to RMB32.1 million for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 33.3% to RMB56.1 million for the six months ended June 30, 2017 from the corresponding period in 2016. The increase was primarily due to the increase of employee costs mainly related to share-based compensation expense. In order to celebrate our success in evolving our core business towards mobile device in 2016 and motivate key employees, the Company granted restricted share units to key employees in April 2017, which incurred share-based compensation expense of approximately RMB8.1 million.

Gain attributable to equity holders of the Company

We recorded gain attributable to shareholders of the Company for the three months ended June 30, 2017 of RMB48.7 million compared with gain attributable to shareholders of the Company of RMB98.1 million for the three months ended March 31, 2017 and recorded gain attributable to shareholders of the Company for the six months ended June 30, 2017 of RMB146.8 million compared with gain attributable to shareholders of the Company of RMB76.7 million for the corresponding period in 2016. The quarter-on-quarter decrease was primarily due to the increase of operating expenses mainly caused by share-based compensation expense and partially offset by the increase of gross profit and other gains. The year-on-year increase was primarily due to the increase of gross profit and share profit of investments accounted for using the equity method, and partially offset by the increase of operating expenses and income tax expense.

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, adjusted net profit and adjusted EBITDA are used as additional financial measures. These financial measures are presented because they are used by management to evaluate operating performance. The Company also believes that these non-IFRS measures provide useful information to help investors and others understand and evaluate the Company's consolidated results of operations in the same manner as management and in comparing financial results across accounting periods and to those of our peer companies.

The following table sets forth the Group's non-IFRS financial data for the periods presented:

	Unaudited Six months ended			**Unaudited Three months ended**				
(in RMB '000)	**June 30, 2017**	June 30, 2016	Year- on-Year change %	**June 30, 2017**	March 31, 2017	Quarter-on-Quarter change %	**June 30, 2016**	Year- on-Year change %
Non-IFRS Financial Data								
Adjusted EBITDA	**258,309**	127,286	102.9%	**130,940**	127,369	2.8%	**76,608**	70.9%
Adjusted EBITDA margin*	**51.8%**	36.4%		**51.4%**	52.2%		**38.7%**	
Adjusted Net Profit	**211,502**	96,829	118.4%	**106,264**	105,238	1.0%	**58,908**	80.4%

* Adjusted EBITDA margin is calculated by dividing adjusted EBITDA by revenue.

Adjusted EBITDA

Adjusted EBITDA increased by 2.8% quarter-on-quarter for the three months ended June 30, 2017 from the three months ended March 31, 2017 and increased by 102.9% year-on-year for the six months ended June 30, 2017 from the corresponding period in 2016. Adjusted EBITDA margin was 51.4% for the three months ended June 30, 2017, compared to 52.2% for the three months ended March 31, 2017. Adjusted EBITDA margin was 51.8% for the six months ended June 30, 2017, compared to 36.4% for the corresponding period in 2016. Adjusted EBITDA represents operating profit adjusted to exclude non-cash share-based compensation expenses, impairment loss arising from acquisitions, amortisation of intangible assets arising from acquisitions and depreciation and amortisation.

The following table reconciles our operating profit to our adjusted EBITDA for the periods presented:

	Unaudited Six months ended		Unaudited Three months ended		
	June 30, 2017	June 30, 2016	**June 30, 2017**	March 31, 2017	June 30, 2016
(in RMB'000)					
Operating Profit	**185,254**	94,723	**69,049**	116,205	60,557
Share-based compensation expense	**46,880**	19,968	**43,642**	3,238	9,402
Impairment loss arising from acquisitions	**9,704**	–	**9,704**	–	–
Amortization of intangible assets arising from acquisitions	**5,546**	2,526	**2,773**	2,773	1,704
Depreciation and amortization expense	**10,925**	10,069	**5,772**	5,153	4,945
Adjusted EBITDA	**258,309**	127,286	**130,940**	127,369	76,608

Adjusted Net Profit and Earnings Per Share

Adjusted net profit increased by 1.0% quarter-on-quarter for the three months ended June 30, 2017 from RMB105.2 million for the three months ended March 31, 2017. Adjusted net profit increased by 118.4% year-on-year for the six months ended June 30, 2017 from RMB96.8 million for the corresponding period in 2016. Adjusted diluted earnings per share is RMB0.156 for the six months ended June 30, 2017, compared with RMB0.075 for the six months ended June 30, 2016. Adjusted diluted earnings per share is RMB0.078 for the three months ended June 30, 2017.

Adjusted net profit is not defined under IFRS, and eliminates the effect of non-cash share based compensation expenses, impairment loss arising from acquisitions and amortisation of intangible assets arising from acquisitions.

Adjusted diluted earnings per share is not defined under IFRS. The denominator for computing the adjusted diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume share options granted to employees under 2008 Global Share Option Plan and Post-IPO Share Option Scheme, restricted share units granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme have been fully vested and exercised with no impact on the adjusted earnings. The numerator of adjusted diluted EPS is adjusted net profit attributable to the equity holders of the Company.

The following table sets forth the reconciliations of the Company's net profit to adjusted net profit for the periods presented below:

	Unaudited Six months ended		Unaudited Three months ended		
	June 30, 2017	June 30, 2016	**June 30, 2017**	March 31, 2017	June 30, 2016
(in RMB'000)					
Net Profit	**149,372**	74,335	**50,145**	99,227	47,802
Share-based compensation expense	**46,880**	19,968	**43,642**	3,238	9,402
Impairment loss arising from acquisitions	**9,704**	–	**9,704**	–	–
Amortization of intangible assets arising from acquisitions	**5,546**	2,526	**2,773**	2,773	1,704
Adjusted Net Profit	**211,502**	96,829	**106,264**	105,238	58,908

4. Liquidity and Financial Resources

Cash and Cash Equivalent and Financial Assets/Term Deposits

Cash and cash equivalents consist of cash at bank and cash on hand, and as at June 30, 2017 and December 31, 2016 amounted to RMB179.2 million and RMB290.3 million, respectively. All cash at bank balances as of these dates were demand deposits and term deposits with initial terms of less than three months.

Since there are no cost-effective hedges against the fluctuation of Renminbi ("**RMB**") and no effective manner to generally convert a significant amount of non-RMB currencies into RMB, which is not a freely exchangeable currency, there is a risk that we may experience a loss as a result of any foreign currency exchange rate fluctuations in connection with our deposits and investments.

The Company had current available-for-sale financial assets of RMB803.2 million and RMB611.0 million as at June 30, 2017 and December 31, 2016, respectively. Current available-for-sale financial assets typically consist of RMB-denominated principal-guaranteed structured deposits with floating interest rates ranging from 2% to 5% per annum with maturity periods within one year or with an ongoing term offered by large state-owned and commercial banks in China.

The Company had term deposits with initial terms of over three months of RMB568.1 million and RMB776.0 million as at June 30, 2017 and December 31, 2016, respectively.

Bank Loans and Other Borrowings

As at June 30, 2017 and December 31, 2016, the Company had no bank loans and other borrowings outstanding.

Gearing Ratio

The gearing ratio as at June 30, 2017 and December 31, 2016 were 0%.

Capital Expenditures

For the six months ended June 30, 2017, the Group's capital expenditures were approximately RMB40.4 million, mainly including approximately RMB16.4 million and RMB14.9 million relating to purchase of a real estate property located in the United States and a real estate property located in Hong Kong, respectively, the tax of approximately RMB3.0 million relating to our office building located in Hangzhou and approximately RMB4.6 million relating to purchase of server and equipment.

Significant Investment

The Company did not make any significant investments for the six months ended June 30, 2017.

Mergers and Acquisitions

On May 23, 2017, the Company, through a subsidiary of a PRC operating entity of the Group (the "**Investor**"), as one of the series B investors of Beijing Mijing Hefeng Technology Company Limited (北京密境和風科技有限公司) (the "**Beijing Mijing**"), entered into an investment agreement with controlling shareholders and the series A investors of Beijing Mijing, pursuant to which, the Investor has conditionally agreed to subscribe certain equity interest of Beijing Mijing by way of capital injection for a cash consideration of RMB100 million. As at the date of this announcement, the transaction is yet to be consummated.

In January 2017, the Group signed a series of agreements to invest in Shanghai Jieta Financial Information Services Company Limited (上海截塔金融信息服務有限公司) ("**Shanghai Jieta**") for a cash consideration of RMB11.7 million, an internet loan company specializing in the operation of microcredit through its website and mobile application. In June 2017, the Group signed a series of agreements to further acquire the equity interest of Shanghai Jieta for a cash consideration of RMB113.1 million. As at the date of this announcement, the transactions are yet to be consummated.

Except as disclosed above, the Group did not make any other material mergers or acquisitions for the six months ended June 30, 2017.

Charges on Assets

As at June 30, 2017, the Group did not have any asset charges.

Contingent Liabilities

As at June 30, 2017, the Group did not have any significant contingent liabilities.

Foreign Exchange Risk

Most of our subsidiaries' functional currencies are RMB, as the majority of the revenues of these companies are derived from our operations in mainland China. We are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to foreign currency denominated financial assets as at June 30, 2017. We do not hedge against any fluctuation in foreign currency.

5. Corporate Information

Staff

The Company had 771 full time employees as at June 30, 2017. Tian Ge's success depends on its ability to attract, retain and motivate qualified personnel. The Company adopts high standards in recruitment with strict procedures to ensure the quality of new hiring and use various methods for recruitment, including campus recruitment, online recruitment, internal recommendation and recruiting through hunting firms or agents, to satisfy the demand for different types of talents. Moreover, the Company provides a robust training program for new employees in order to effectively equip them with the skill sets and work ethics which are necessary to succeed at Tian Ge.

Relevant staff cost was RMB118.0 million for the six months ended June 30, 2017, while our staff cost was RMB86.0 million for the six months ended June 30, 2016. The Group's remuneration policies are formulated according to the duty, experience, ability and performance of individual employees and are reviewed annually. In addition to basic salary, employees are entitled to other benefits including social insurance contribution, employee provident fund schemes and discretionary incentive.

The Company's employees have not formed any employee union or association. Tian Ge believes that it maintains a good working relationship with its employees and the Company did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the period under review.

Share Option Schemes

The Company has adopted the Pre-IPO Share Option Scheme, the Pre-IPO RSU Scheme, the Post-IPO Share Option Scheme and the Post-IPO RSU Scheme (collectively, the "**Schemes**"). The purposes of the Schemes are to reward the participants defined under the Schemes for their past contribution to the success of the Group and to provide incentives to them to further contribute to the Group.

The share-based compensation expenses for the six months ended June 30, 2017 were RMB46.9 million, as compared to RMB20.0 million for the corresponding period in 2016.

As at June 30, 2017, options representing a total of 39,557,788 shares were outstanding. If all such options under the Pre-IPO Share Option Scheme and the Post-IPO Share Option Scheme are exercised, there would be a dilution effect on the shareholdings of our shareholders of approximately 2.94% as at June 30, 2017. However, as the options are exercisable over a 10-year period from the date of grant, any such dilutive effect on earnings per share may be staggered over several years.

As of June 30, 2017, the total number of shares underlying the Pre-IPO RSU Scheme and Post-IPO RSU Scheme represented approximately 3.56% of the total ordinary shares of the Company.

On April 5, 2017, the Company granted restricted share units in respect of a total of 10,668,254 ordinary shares of the Company of US$0.0001 each to the grantees under the Post-IPO RSU Scheme, which represented approximately 0.82% of the total ordinary shares of the Company as at June 30, 2017.

On April 18, 2017, the Company granted restricted share units in respect of a total of 2,957,546 ordinary shares of the Company of US$0.0001 each to the grantees under the Post-IPO RSU Scheme, which represented approximately 0.23% of the total ordinary shares of the Company as at June 30, 2017.

6. Use of Proceeds from Global Offering

The net proceeds from the global offering (after the exercise of the over-allotment option and after deducting the underwriting fees and commissions and other estimated expenses payable by the Company in connection with the global offering) amounted to approximately HK$1,725.0 million (equivalent to approximately RMB1,376.0 million). As at June 30, 2017, all of the net proceeds from the global offering had been used in investing in potential acquisitions, expanding our marketing and promotion activities, developing our mobile applications and enhancing our research and development efforts. We have utilized the net proceeds from the IPO for the purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" contained in the prospectus of the Company dated June 25, 2014.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(AS AT JUNE 30, 2017)

	Note	**Unaudited June 30, 2017** *RMB'000*	Audited December 31, 2016 *RMB'000*
Assets			
Non-current assets			
Property and equipment		**198,240**	182,908
Investment properties		**43,123**	27,748
Intangible assets		**238,057**	251,003
Investments accounted for using the equity method	*5*	**106,952**	55,497
Available-for-sale financial assets	*7*	**389,789**	304,478
Prepayments and other receivables		**282,865**	191,601
Deferred income tax assets		**82,454**	74,583
		1,341,480	1,087,818
Current assets			
Inventories		**1,557**	1,082
Trade receivables	*6*	**20,109**	25,834
Prepayments and other receivables		**137,694**	115,090
Available-for-sale financial assets	*7*	**803,239**	610,954
Term deposits with initial term over 3 months		**568,061**	775,958
Cash and cash equivalents		**179,225**	290,306
		1,709,885	1,819,224
Total assets		**3,051,365**	2,907,042
Equity			
Equity attribute to shareholders of the Company			
Share capital		**809**	804
Share premium		**2,175,289**	2,250,388
Shares held for RSU Scheme		**(1)**	(7)
Other reserves		**476,168**	426,403
Retained earnings/(Accumulated deficits)		**57,549**	(89,257)
		2,709,814	2,588,331
Non-controlling interests		**36,307**	35,641
Total equity		**2,746,121**	2,623,972

	Note	Unaudited June 30, 2017 RMB'000	Audited December 31, 2016 RMB'000
Liabilities			
Non-current liabilities			
Deferred income tax liabilities		**13,778**	14,948
Other non-current liabilities		**1,283**	1,304
		15,061	16,252
Current liabilities			
Trade payables	*9*	**17,348**	29,435
Other payables and accruals		**63,566**	61,407
Income tax liabilities		**129,907**	117,088
Customer advance and deferred revenue		**74,642**	53,888
Provisions for other liabilities and charges		**4,720**	5,000
		290,183	266,818
Total liabilities		**305,244**	283,070
Total equity and liabilities		**3,051,365**	2,907,042

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

(FOR THE SIX MONTHS ENDED JUNE 30, 2017)

		Unaudited Three months ended June 30		Unaudited Six months ended June 30	
		2017	2016	**2017**	2016
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	*4*	**254,767**	198,131	**498,797**	349,707
Cost of revenue	*10*	**(34,439)**	(55,596)	**(71,849)**	(97,086)
Gross profit		**220,328**	142,535	**426,948**	252,621
Selling and marketing expenses	*10*	**(88,861)**	(44,948)	**(143,831)**	(87,310)
Administrative expenses	*10*	**(48,843)**	(27,714)	**(70,699)**	(55,758)
Research and development expenses	*10*	**(32,095)**	(22,965)	**(56,140)**	(42,109)
Other gains, net	*11*	**18,520**	13,649	**28,976**	27,279
Operating profit		**69,049**	60,557	**185,254**	94,723
Finance income	*12*	**1,162**	189	**1,492**	964
Finance costs	*12*	**–**	(576)	**–**	(1,079)
Finance income/(loss), net	*12*	**1,162**	(387)	**1,492**	(115)
Share of profit/(loss) of investment accounted for using the equity method		**1,254**	(1,915)	**4,506**	(2,697)
Profit before income tax		**71,465**	58,255	**191,252**	91,911
Income tax expense	*13*	**(21,320)**	(10,453)	**(41,880)**	(17,576)
Profit for the period		**50,145**	47,802	**149,372**	74,335
Other comprehensive income/(loss)					
Items that may be reclassified to profit or loss					
Changes in value of available-for-sale financial assets		**22,983**	(84)	**26,619**	15,649
Currency translation differences		**(18,693)**	25,666	**(24,117)**	20,833
Total comprehensive income for the period		**54,435**	73,384	**151,874**	110,817

	Note	Unaudited Three months ended June 30 **2017** *RMB'000*	2016 *RMB'000*	Unaudited Six months ended June 30 **2017** *RMB'000*	2016 *RMB'000*
Profit/(loss) attributable to:					
– Shareholders of the Company		**48,735**	49,049	**146,806**	76,699
– Non-controlling interests		**1,410**	(1,247)	**2,566**	(2,364)
		50,145	47,802	**149,372**	74,335
Total comprehensive income/ (loss) attributable to:					
– Shareholders of the Company		**53,053**	74,514	**149,286**	112,655
– Non-controlling interests		**1,382**	(1,130)	**2,588**	(1,838)
		54,435	73,384	**151,874**	110,817
Earnings per share *(expressed in RMB per share)*					
– Basic	*14*	**0.038**	0.038	**0.113**	0.060
– Diluted	*14*	**0.036**	0.037	**0.110**	0.058

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(FOR THE SIX MONTHS ENDED JUNE 30, 2017)

	Unaudited							
	Equity attributable to shareholders of the company							
	Share capital *RMB'000*	Share premium *RMB'000*	Shares held for RSU Scheme *RMB'000*	Other reserves *RMB'000*	Retained earnings/ (Accumulated deficits) *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at January 1, 2017	804	2,250,388	(7)	426,403	(89,257)	2,588,331	35,641	2,623,972
Comprehensive income								
Profit for the six months ended June 30, 2017	–	–	–	–	146,806	146,806	2,566	149,372
Other comprehensive income/(loss)								
Currency translation differences	–	–	–	(24,139)	–	(24,139)	22	(24,117)
Changes in value of available-for-sale financial assets	–	–	–	26,619	–	26,619	–	26,619
Total other comprehensive income, net of tax	–	–	–	2,480	–	2,480	22	2,502
Total comprehensive income	–	–	–	2,480	146,806	149,286	2,588	151,874
Transactions with shareholders of the Company, recognised directly in equity								
Employees share option scheme and restricted share units ('RSU') schemes:								
– value of employee services	–	–	–	46,880	–	46,880	–	46,880
– proceeds from shares issued	5	4,856	–	–	–	4,861	–	4,861
– vest and transfer of RSUs	–	(6)	6	–	–	–	–	–
Dividends relating to 2016 paid in June 2017	–	(79,591)	–	–	–	(79,591)	–	(79,591)
Repurchase of ordinary shares	–	(358)	–	–	–	(358)	–	(358)
Contribution from a non-controlling interest	–	–	–	405	–	405	101	506
Appropriation of dividend to non-controlling interests	–	–	–	–	–	–	(2,023)	(2,023)
Total transactions with shareholders of the Company, recognised directly in equity	5	(75,099)	6	47,285	–	(27,803)	(1,922)	(29,725)
Balance at June 30, 2017	809	2,175,289	(1)	476,168	57,549	2,709,814	36,307	2,746,121

	Unaudited							
	Equity attributable to shareholders of the company							
	Share capital RMB'000	Share premium RMB'000	Shares held for RSU Scheme RMB'000	Other reserves RMB'000	Accumulated deficits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at January 1, 2016	797	2,305,423	(14)	273,425	(292,919)	2,286,712	21,960	2,308,672
Comprehensive income/(loss)								
Profit/(loss) for the six months ended June 30, 2016	–	–	–	–	76,699	76,699	(2,364)	74,335
Other comprehensive income								
Currency translation differences	–	–	–	20,307	–	20,307	526	20,833
Changes in value of available-for-sale financial assets	–	–	–	15,649	–	15,649	–	15,649
Total other comprehensive income, net of tax	–	–	–	35,956	–	35,956	526	36,482
Total comprehensive income/(loss)	–	–	–	35,956	76,699	112,655	(1,838)	110,817
Transactions with shareholders of the Company, recognised directly in equity								
Employees share option scheme and RSU schemes:								
– value of employee services	–	–	–	19,968	–	19,968	–	19,968
– proceeds from shares issued	4	6,915	–	–	–	6,919	–	6,919
– vest and transfer of RSUs	–	(4)	4	–	–	–	–	–
Non-controlling interests arising from acquisition and establishment of subsidiaries	–	–	–	–	–	–	4,730	4,730
Dividends relating to 2015 paid in June 2016	–	(65,633)	–	–	–	(65,633)	–	(65,633)
Total transactions with shareholders of the Company, recognised directly in equity	4	(58,722)	4	19,968	–	(38,746)	4,730	(34,016)
Balance at June 30, 2016	801	2,246,701	(10)	329,349	(216,220)	2,360,621	24,852	2,385,473

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOW
(FOR THE SIX MONTHS ENDED JUNE 30, 2017)

	Unaudited Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Net cash generated from operating activities	**191,904**	108,843
Net cash used in investing activities	**(227,620)**	(302,604)
Net cash generated from/(used)in financing activities	**(74,701)**	60,361
Net decrease in cash and cash equivalents	**(110,417)**	(133,400)
Cash and cash equivalents at beginning of period	**290,306**	232,848
Exchange gain/(loss) on cash and cash equivalents	**(664)**	444
Cash and cash equivalents at end of period	**179,225**	99,892

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(FOR THE SIX MONTHS ENDED JUNE 30, 2017)

1. GENERAL INFORMATION

Tian Ge Interactive Holdings Limited (the "**Company**"), was incorporated in the Cayman Islands on July 28, 2008 as an exempted company with limited liability under the Companies Law (2007 Revision) of the Cayman Islands as an investment holding company. The address of the Company's registered office is Grand Pavilion, Hibiscus Way, 802 West Bay Road, P.O. Box 31119, KY1-1205, Cayman Islands.

On July 9, 2014, the Company completed its initial public offering (the "**IPO**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company and its subsidiaries (collectively the "**Group**") are principally engaged in the operating of live social video platforms, mobile and online games and other services in the People's Republic of China (the "**PRC**").

This condensed consolidated financial information is presented in Renminbi (the "**RMB**"), unless otherwise stated. This condensed consolidated financial information was approved by the board of directors of the Company for issue on August 25, 2017.

2. BASIS OF PREPARATION

This condensed consolidated financial information for the six months ended June 30, 2017 has been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as set out in the 2016 annual report of the Company dated March 24, 2017.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended December 31, 2016, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to IFRSs effective for the financial year ending 31 December 2016 do not have a material impact on the Group.

(b) Impact of standards issued but not yet applied by the Group

 (i) IFRS 9 Financial instruments

 (ii) IFRS 15 Revenue from contracts with customers

 (iii) IFRS 16 Leases

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the financial information of the Group.

4. SEGMENT INFORMATION

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. The CODM considers the business primarily from product perspective.

The Group has following reportable segments for the three and six months ended June 30, 2017 and 2016:

– Online interactive entertainment service;

– Game licensing;

– Others.

Online interactive entertainment service of the Group mainly comprise of the provision of live social video platform and provision of online games. Game licensing service of the Group comprises of the provision of licensing its self-developed games and its own platforms for an agreed period. Other segments of the Group mainly comprise of the provision of ecommerce transactions, provision of beauty clinic service and other services.

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are common costs incurred for the operating segments as a whole and therefore they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Interest income, other gains, net, finance income, net and income tax expense are also not allocated to individual operating segment.

There were no material inter-segment sales during the three and six months ended June 30, 2017 and 2016. The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the condensed consolidated statement of comprehensive income.

Other information, together with the segment information, provided to CODM, is measured in a manner consistent with that applied in these condensed financial information. There were no segment assets and segment liabilities information provided to the CODM, as the CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the CODM for the reportable segments for the three and six months ended June 30, 2017 and 2016 is as follows:

	Three months ended June 30, 2017					Three months ended June 30, 2016		
	Online interactive entertainment service *RMB'000*	**Game licensing** *RMB'000*	**Others** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*	Online interactive entertainment service *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment Revenue	**212,535**	**30,218**	**12,297**	**(283)**	**254,767**	177,274	20,857	198,131
Gross Profit	**186,908**	**27,092**	**6,328**	**–**	**220,328**	131,255	11,280	142,535
– Depreciation, amortization and impairment charges included in segment cost	**1,720**	**92**	**(594)**	**–**	**1,218**	1,508	63	1,571
Operating profit					**69,049**			60,557
Finance income					**1,162**			189
Finance costs					**–**			(576)
Shares of profit/ (losses) of investments accounted for using the equity method	**(17)**	**–**	**1,271**	**–**	**1,254**	(1,692)	(223)	(1,915)
Profit before income tax					**71,465**			58,255

	Six months ended June 30, 2017					Six months ended June 30, 2016		
	Online interactive entertainment service *RMB'000*	**Game licensing** *RMB'000*	**Others** *RMB'000*	**Inter-segment elimination** *RMB'000*	**Total** *RMB'000*	Online interactive entertainment service *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment Revenue	**423,065**	**55,646**	**20,369**	**(283)**	**498,797**	311,003	38,704	349,707
Gross Profit	**366,569**	**48,672**	**11,707**	**–**	**426,948**	235,298	17,323	252,621
– Depreciation, amortization and impairment charges included in segment cost	**3,416**	**158**	**(1,241)**	**–**	**2,333**	2,542	567	3,109
Operating profit					**185,254**			94,723
Finance income					**1,492**			964
Finance costs					**–**			(1,079)
Shares of profit/ (losses) of investments accounted for using the equity method	**(572)**	**–**	**5,078**	**–**	**4,506**	(2,564)	(133)	(2,697)
Profit before income tax					**191,252**			91,911

5. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at June 30, 2017 *RMB'000*	As at December 31, 2016 *RMB'000*
Associates	**92,279**	39,993
Joint venture	**14,673**	15,504
	106,952	55,497

(a) Investment associates

	Six months ended June 30, 2017 *RMB'000*	Six months ended June 30, 2016 *RMB'000*
Beginning of the period	**39,993**	33,390
Additions*(i)*	**46,800**	–
Share of profit/(loss) of investment accounted for using the equity method	**5,407**	(100)
Reclassification of revaluation of previously held interest in Happy Alliance	**–**	(3,328)
Exchange and currency translation difference	**79**	–
End of the period	**92,279**	29,962

(i) In January 2017, the Group completed the acquisition of 36% of the total equity interests of Wuhan Jiuxin Puhui Financial Information Services Co., Ltd ('**Jiuxin Puhui**') from its shareholders at a cash consideration of RMB46,800 thousand. Jiuxin Puhui primarily engages in the operation of a P2P investment and financing platform in the PRC.

(b) Investment in joint venture

	Six months ended June 30, 2017 *RMB'000*	Six months ended June 30, 2016 *RMB'000*
Beginning of the period	**15,504**	18,688
Share of loss of investment accounted for using the equity method	**(901)**	(2,597)
Exchange and currency translation difference	**70**	–
End of the period	**14,673**	16,091

(c) Transactions with associates and joint venture

(i) Transactions related to online interactive entertainment service

During the six months ended June 30, 2017, the Group had undertaken transactions under certain online live social platform co-operation arrangements with one joint venture. The revenues recorded by the Group during the six months ended June 30, 2017 were considered to be insignificant (six months ended June 30, 2016: Nil).

(ii) Transactions related to other services

During the six months ended June 30, 2017, the Group purchased advertising and promotion services amounted to RMB3,804 thousand from a joint venture, and lent loan amounted to RMB12,500 thousand to a joint venture and an associate. As at June 30, 2017, loan of RMB2,500 thousand had been repaid.

6. TRADE RECEIVABLES

	As at June 30, 2017 *RMB'000*	As at December 31, 2016 *RMB'000*
Third parties	**21,927**	25,385
Amount due from related parties	**135**	449
	22,062	25,834
Less: provision for impairment	**(1,953)**	–
	20,109	25,834

At June 30, 2017 and December 31, 2016, the ageing analysis of the trade receivables (including amounts due from related parties of trading in nature) based on the issuance of billing were as follows:

	As at June 30, 2017 *RMB'000*	As at December 31, 2016 *RMB'000*
0-90 days	**16,270**	21,444
91-180 days	**2,039**	1,755
181-365 days	**1,534**	2,175
Over 1 year	**266**	460
	20,109	25,834

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at June 30, 2017 *RMB'000*	As at December 31, 2016 *RMB'000*
Included in non-current assets		
Investments in venture capital funds *(a)*	**295,550**	224,009
Unlisted equity investments *(b)*	**94,239**	80,469
	389,789	304,478
Included in current assets		
Investment in structured deposits *(c)*	**803,239**	610,954
	1,193,028	915,432

(a) This represented the Group's investments in some venture funds as limited partner. Set out below are the movements of the Group's investments in venture capital funds as at June 30, 2017 and 2016:

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Investments in venture capital funds		
Opening balance as at 1 January	**224,009**	92,208
Additions	**48,399**	73,378
Repayment	**(484)**	–
Fair value gain recognised in consolidated statement of comprehensive income	**26,619**	15,649
Exchange and currency translation difference	**(2,993)**	1,798
Closing balance as at June 30	**295,550**	183,033

(b) This represented the Group's investments in unlisted equity interests. The Group acquired certain unlisted equity interests for an aggregate consideration of RMB15,054 thousand during the six months ended June 30, 2017. The entities are principally engaged in operation of a car P2P investment and financing platform, a mobile application of audio interactive game and provision of channel promotion. Set out below are the movements of the Group's unlisted equity investments as at June 30, 2017 and 2016:

	Six months ended June 30,	
	2017	2016
	RMB'000	*RMB'000*
Unlisted equity investments		
Opening balance as at 1 January	**80,469**	7,800
Additions	**15,054**	–
Exchange and currency translation difference	**(1,284)**	–
Closing balance as at June 30	**94,239**	7,800

(c) The current portion of available-for-sale financial assets represented RMB-denominated principal protected structured deposits with interest rates ranging from 2% to 5% per annum and maturity period within 1 year or revolving terms. These structured deposits are offered by large state-owned commercial banks in the PRC. The fair value of these available-for-sale financial assets approximated its carrying amount at period end.

8. SHARE-BASED PAYMENTS

(a) Share Options

The Company adopted two share option schemes, namely, the Pre-IPO Option Scheme and the Post-IPO Share Option Scheme, under which the directors of the Company may, at their discretion, grant options to any qualifying participants to subscribe for shares in the Company, subject to the terms and conditions stipulated therein.

Movements in the number of outstanding share options are as follows:

	Average Exercise Price in US$ per Share Option	Number of Pre–IPO Share Options	Average Exercise Price in HK$ per Share Option	Number of Post–IPO Share Options	Total Number of Share Options
At January 1, 2017		**44,238,886**		**3,358,000**	**47,596,886**
Exercised	**US$0.0911**	**(7,825,818)**	**HK$3.5000**	**(58,000)**	**(7,883,818)**
Forfeited	**US$0.3500**	**(155,280)**		**–**	**(155,280)**
At June 30, 2017		**36,257,788**		**3,300,000**	**39,557,788**
At January 1, 2016		56,847,469		4,000,000	60,847,469
Exercised	US$0.1095	(9,564,090)	HK$3.5000	(100,000)	(9,664,090)
Forfeited	US$0.3348	(348,420)		–	(348,420)
At June 30, 2016		46,934,959		3,900,000	50,834,959

(b) Restricted share units

The Company adopted two RSU schemes, namely, the Pre-IPO RSU Scheme and the Post-IPO RSU Scheme, under which the directors of the Company may, at their discretion, grant RSUs to any qualifying participants, subject to the terms and conditions stipulated therein.

Pursuant to the resolutions passed by the Board of the Company in April 2017, the Company granted RSUs under the Post-IPO RSU Scheme in respect of a total of 13,625,800 ordinary shares of US$0.0001 each of the Company to 252 grantees with below vesting schedule, 6,399,500 shares shall vest on May 28, 2017, 412,906 shall vest on July 20, 2017, 6,399,500 shall vest on May 28, 2018 and 412,894 shall vest on July 20, 2018. The weighted average fair value of Post-IPO RSUs granted during the six month period ended June 30, 2017 was HK$5.69 per share (equivalent to approximately RMB5.05 per share).

Movements in the number of outstanding RSUs are as follows:

	Number of Pre-IPO RSUs	Number of Post-IPO RSUs	Total
At January 1, 2017	**10,592,705**	**578,338**	**11,171,043**
Granted	**–**	**13,625,800**	**13,625,800**
Vested and transferred	**(4,268,750)**	**(6,349,500)**	**(10,618,250)**
Forfeited	**–**	**(1,000)**	**(1,000)**
At June 30, 2017	**6,323,955**	**7,853,638**	**14,177,593**
Shares vested but not transferred to the grantees as at June 30, 2017			**–**

	Number of Pre-IPO RSUs	Number of Post-IPO RSUs	Total
At January 1, 2016	19,071,875	2,823,500	21,895,375
Granted	–	1,048,688	1,048,688
Vested and transferred	(5,460,420)	–	(5,460,420)
At June 30, 2016	13,611,455	3,872,188	17,483,643
Shares vested but not transferred to the grantees as at June 30, 2016			–

During the six months ended June 30, 2017, totally 3,940,136 of the above granted RSUs were exercised (six months ended June 30, 2016: 12,882,960).

(c) Fair value of share options and RSUs

Before the Company consummated its IPO on the Main Board of The Stock Exchange of Hong Kong Limited, the directors have used the discounted cash flow method to determine the fair value of the underlying equity of the Company and adopted equity allocation method to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined by the directors with best estimates.

Upon the consummation of the IPO, the fair value of the underlying ordinary shares was calculated based on the market price of the Company's shares at the respective grant date.

Fair value of share options

The directors used Binominal pricing model to determine the fair value of the share option granted, which is to be expensed over the vesting period.

The management estimated the risk-free interest rate based on the yield of Hong Kong government bond with a maturity life equal to the life of the share option. Volatility was estimated at grant date based on the average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date.

Other than the exercise price mentioned above, significant estimates on parameters, such as risk free rate, dividend yield and expected volatility, made by the directors in applying the Binominal Model, are also taken into consideration.

Fair value of RSUs

The fair value of RSUs was calculated based on the fair value of underlying ordinary shares as at the grant date.

(d) Shares held for RSU Scheme

The shares held for Pre-IPO RSU Scheme and Post-IPO RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity as the directors are of the view that such shares are within the Company's control until the shares are vested unconditionally to the participants and hence are considered as treasury shares in substance.

9. TRADE PAYABLES

	As at June 30, 2017 *RMB'000*	As at December 31, 2016 *RMB'000*
Third parties	**17,348**	27,435
Amount due to related parties	**–**	2,000
	17,348	29,435

As at June 30, 2017, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) based on billing date were as follows:

	As at June 30, 2017 *RMB'000*	As at December 31, 2016 *RMB'000*
0-90 days	**9,573**	16,555
91-180 days	**1,875**	6,095
181-365 days	**5,900**	4,749
Over 1 year	**–**	2,036
	17,348	29,435

10. EXPENSES BY NATURE

	Three months ended June 30		Six months ended June 30	
	2017 *RMB'000*	2016 *RMB'000*	**2017** *RMB'000*	2016 *RMB'000*
Employee benefit expenses (including share-based compensation expenses)	**78,719**	42,263	**117,955**	86,020
Promotion and advertising expenses	**56,692**	27,863	**96,883**	54,320
Commission charged by platforms and game developers	**14,817**	30,003	**31,585**	47,735
Impairment of goodwill	**9,704**	–	**9,704**	–
Bandwidth and server custody fees	**9,466**	7,338	**18,870**	13,898
Cost of inventories sold	**6,361**	8,309	**13,210**	17,031
Travelling and entertainment expenses	**5,625**	3,905	**10,850**	9,071
Amortization of intangible assets	**4,525**	2,852	**8,669**	4,986
Depreciation of property and equipment	**4,020**	3,797	**7,802**	7,609
Game development costs	**3,531**	4,309	**6,263**	6,227
Utilities and office expenses	**2,191**	2,584	**4,988**	5,397
Turnover tax and related surcharges	**1,744**	1,704	**3,402**	2,640
Professional and consultancy fees	**1,578**	1,553	**2,467**	2,657
Auditors' remuneration	**1,522**	1,362	**2,902**	2,682
Operating lease rentals in respect of office buildings	**1,389**	1,673	**2,672**	3,308
Payment handling costs	**1,145**	1,924	**2,036**	2,911
Provision of bad debts of prepayments and other receivables	**453**	5,500	**453**	8,000
(Reverse of write-down)/write down of inventories to net realizable value	**(596)**	751	**(1,245)**	2,182
Others	**1,352**	3,533	**3,053**	5,589
Total cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses	**204,238**	151,223	**342,519**	282,263

11. OTHER GAINS, NET

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investment interest	**10,473**	10,151	**20,274**	19,366
Gain on remeasuring existing interest in Happy Alliance on acquisition	**–**	4,351	**–**	4,351
Government grants				
– Tax subsidy	**238**	–	**238**	–
– Technology award	**5,532**	5,114	**5,743**	6,361
– Scientific project fund	**–**	463	**–**	463
Foreign exchange loss on non-financing activity	**(1,017)**	(8,002)	**(1,451)**	(5,379)
Interest income on loans to third parties and loans to employees	**3,329**	846	**4,373**	1,277
Gains on disposal of property and equipment, net	**23**	367	**23**	495
Others	**(58)**	359	**(224)**	345
	18,520	13,649	**28,976**	27,279

12. FINANCE INCOME/(LOSS), NET

	Three months ended June 30		Six months ended June 30	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Finance income:				
– Exchange gain on financing activities, net	**796**	–	**654**	–
– Interest income on cash and cash equivalents	**366**	189	**838**	964
	1,162	189	**1,492**	964
Finance costs:				
– Exchange loss on financing activities, net	**–**	(576)	**–**	(1,079)
Finance income/(loss), net	**1,162**	(387)	**1,492**	(115)

13. INCOME TAX EXPENSE

The Group is not subject to taxation in the Cayman Islands. Hong Kong profits tax has been provided for at a rate of 16.5% (2016:16.5%) for the period on the estimated assessable profits arising in or derived from Hong Kong. The companies established and operated in the PRC are subject to PRC Enterprise Income Tax ("**EIT**") at a rate of 25% (2016: 25%), and certain Group's subsidiaries established in the PRC and PRC Operating Entities are entitled to preferential EIT rate of 15% (2016: 15%) and 12.5% (2016: 0%).

	Three months ended June 30		**Six months ended June 30**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current income tax				
– PRC income tax	**29,795**	13,229	**50,911**	22,488
Deferred income tax	**(8,475)**	(2,776)	**(9,031)**	(4,912)
	21,320	10,453	**41,880**	17,576

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended December 31, 2017 is 17.23% and 16.5%, respectively (the average annual tax rate used for companies established and operated in the PRC and Hong Kong for the year ended December 31, 2016 was 15.64% and 16.5%, respectively).

14. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit of the Group attributable to the shareholders of the Company by the weighted average number of ordinary shares in issue during each interim period.

	Three months ended June 30		**Six months ended June 30**	
	2017	2016	**2017**	2016
Profit attributable to shareholders of the Company *(RMB'000)*	**48,735**	49,049	**146,806**	76,699
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,298,465**	1,275,990	**1,294,215**	1,271,306
Basic earnings per share *(in RMB/share)*	**0.038**	0.038	**0.113**	0.060

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company has two categories of dilutive potential ordinary shares, share options granted to employees under Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme and RSUs granted to employees under Pre-IPO Restricted Share Unit Scheme and Post-IPO Restricted Share Unit Scheme. The share options and RSUs are assumed to have been fully vested and released from restrictions with no impact on earnings.

	Three months ended June 30		**Six months ended June 30**	
	2017	2016	**2017**	2016
Profit attributable to shareholders of the Company *(RMB'000)*	**48,735**	49,049	**146,806**	76,699
Weighted average number of ordinary shares in issue *(thousand shares)*	**1,298,465**	1,275,990	**1,294,215**	1,271,306
Adjustments for share based compensation -share options *(thousand shares)*	**35,434**	43,403	**35,230**	43,141
Adjustments for share based compensation -RSUs *(thousand shares)*	**7,807**	13,026	**7,928**	13,623
Weighted average number of ordinary shares for the calculation of diluted EPS *(thousand shares)*	**1,341,706**	1,332,419	**1,337,373**	1,328,070
Diluted earnings per share *(in RMB/share)*	**0.036**	0.037	**0.110**	0.058

15. DIVIDENDS

	Three months ended June 30		**Six months ended June 30**	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Dividends paid by the Company	**79,591**	65,633	**79,591**	65,633

Pursuant to the resolution of the board meeting held in March 2017 and approval of the annual general meeting held in June 2017, the Company declared a final dividend for the year ended December 31, 2016 of HK$91,474 thousand (approximately RMB79,591 thousand) in total or HK$0.07 per ordinary share out of the Company's share premium account, which were fully paid in June 2017.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and the Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. During the six months ended June 30, 2017, the Company has complied with all the code provisions of the CG Code and adopted most of the best practices set out therein, except for the code provision A.2.1 of the CG Code.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Mr. Fu Zhengjun (傅政軍) is our Chairman and chief executive officer and has been a Director of our Board since July 28, 2008. He was designated to our Board as an executive Director on March 11, 2014. Mr. Fu is the founder of our Group and has served as the chief executive officer of all our wholly foreign-owned enterprises and PRC operating entities since their respective incorporations. With extensive experience in the internet industry, Mr. Fu is responsible for the overall strategic planning, management and operation of our Group and is instrumental to our growth and business expansion since our establishment in 2008. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the operation of the senior management and our Board, which comprises experienced and high-calibre individuals. Our Board currently comprises two executive Directors (including Mr. Fu), two non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

On February 17, 2017, the Company has repurchased 100,000 shares on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") under the repurchase mandate granted to the Directors at an aggregate consideration of approximately HK$451,300. The price per share or highest price paid is HK$4.54, and the lowest price paid is HK$4.5. The repurchased shares were subsequently cancelled on February 28, 2017.

Except as disclosed above, during the six months ended June 30, 2017, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

DIVIDEND

Pursuant to the resolution of the annual general meeting on June 1, 2017, the Company declared a final dividend of HK$0.07 per ordinary share out of the Company's share premium account, which was fully paid in June 2017.

The Board did not declare any interim dividend for the six months ended June 30, 2017.

REVIEW OF THE INTERIM RESULTS

The Audit Committee has reviewed (i) the accounting principles and practices adopted by the Group, and (ii) the auditing, internal control and financial reporting matters, including the review of the interim results for the six months ended June 30, 2017.

PUBLICATION OF INTERIM REPORT

Pursuant to the requirements of the Listing Rules regarding the reporting period, the 2017 interim report of the Company will set out all information disclosed in the interim results announcement for the first half of 2017 and will be despatched to the shareholders and uploaded on the websites of the Company (http://www.tiange.com) and the Stock Exchange (http://www.hkexnews.hk) in due course.

By order of the Board
Tian Ge Interactive Holdings Limited
Fu Zhengjun
Chairman and Chief Executive Officer

Hong Kong, August 27, 2017

As of the date of this announcement, the executive Directors are Mr. Fu Zhengjun and Mr. Mai Shi'en; the non-executive Directors are Mr. Mao Chengyu and Mr. Herman Yu; and the independent non-executive Directors are Ms. Yu Bin, Mr. Wu Chak Man and Mr. Chan Wing Yuen Hubert.